



U.S. International  
Development  
Finance Corporation

# The Challenges of Financing Power Projects in Developing Markets

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# What is DFC?

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- DFC is the development finance institution of the U.S. Government.
- Established via the *Build Act* of 2018, it is the successor entity to OPIC, the Overseas Private Investment Corporation.
- Our mission is to mobilize private capital for investments in developing nations, with a focus on lower-income countries.
- We offer debt, equity, political risk insurance, and technical assistance.

# Power Project Financing Challenges in Developing Nations

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- Development finance institutions such as DFC are lenders of last resort in the markets in which they work.
- “It is the deep-seated differences in the institutional quality of states that determine the persistence of inequality among individuals across the globe.”
  - Martin Wolf, Why Globalization Works (2004)
- The quality of data concerning the energy sector, demand, supply, pricing, and fuels in these markets is often unreliable and of poor quality.
- Costs of debt and equity capital can be difficult to ascertain because of the lack of depth and available data concerning financial instruments.

# Power Project Financing Challenges in Developing Nations

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- Power and other infrastructure project financings in developing economies are often difficult to close. Successful projects require at minimum:
  - **Bankable documents:** e.g., a power purchase agreement (“PPA”) with a creditworthy counterparty, an economic tariff, and a government support document (sovereign guarantee or letter of support.)
  - **Clear land ownership title and leasehold rights.** A wind project, for example, can comprise separate leases for ~ 100 parcels of land.
  - A lack of environmental and social policy problems (e.g., endangered species, human resettlement.)
  - Consistent, united community support.
  - An experienced power project developer having uninterrupted focus.
  - A cooperative, supportive, consistent government (e.g., power purchaser, transmission and distribution company, tax policies, local authorities, etc...)
  - An absence of events of force majeure.